

**Wenzel, Mark**

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**From:** Edward Mainland [emainland@comcast.net]  
**Sent:** Friday, October 09, 2009 7:47 PM  
**To:** Economic & Allocation Advisory Committee  
**Cc:** mzaragoz@arb.ca.gov  
**Subject:** Sierra Club Comments for Posting on EAAC's Comments Page

FOR MATTHEW ZARAGOZA-WATKINS,  
OFFICE OF CLIMATE CHANGE,  
CALIFORNIA AIR RESOURCES BOARD (CARB)

Mr. Zaragoza-Watkins:

Please post the following on EAAC's comments page. Thank you.

Ed Mainland, Sierra Club, 415-902-6365.

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COMMENT TO EAAC MEETING  
San Francisco, October 7, 2009  
SIERRA CLUB CALIFORNIA  
Edward A. Mainland

I am Edward Mainland representing Sierra Club California with more than 200,000 members throughout the state.

Among possible mechanisms for allowance allocation, Sierra Club expressed to CARB last year its strong preference for 100-percent auctions. We believe that the case for auctions has grown even more persuasive as EAAC's research has gone forward. We are pleased to see EAAC's briefing today reflecting this.

In respect to allowance value provision, Sierra Club believes the main emphasis should be on investment (green technology, green jobs, green

building, disadvantaged communities, Community Benefits Fund (AB 1405)). Investment is the most direct and powerful use of carbon permit auction revenues to accelerate the transition to a low-carbon energy economy.

Sierra Club is skeptical about Cap and Dividend -- returning cash payments to the public at large -- especially when this likely would leave inadequate funding for essential climate protection measures. Payouts for a indiscriminate "dividend" to induce support for added carbon costs would undermine the benefits of the program if the distribution were to compete directly with funds needed to protect the climate. Our calculations indicate that under any likely set of assumptions about fees, payout would be too small to be attractive to the public. Sierra Club would not oppose a dividend, however, if sufficient funds were first allocated to direct carbon reduction programs.

Sierra Club proposes adoption of the following design principles for allocation of carbon-emission permit revenues:

- 1. GHG Performance:** Payments should be performance based, according to objective and independently verified measures of GHG reductions per dollar spent.
- 2. Co-benefits:** Prioritize measures that provide the optimal co-benefits of large GHG reductions combined with maximum feasible reductions in other pollutants that affect public health.
- 3. Low Income Assistance:** When any carbon assessment increases the cost of energy (e.g. gasoline, etc.), use revenues to offset these increased expenses to the most economically disadvantaged families and small businesses, particularly focusing on green jobs and economic development in low-income communities. Assistance with utility bills is already provided for low-income families. We recommend improved administration of the \$1 billion in consumer assistance programs.

**4. Improve Equity:** Prioritize measures that provide the largest feasible benefits for communities that are already subjected to environmental justice and cumulative impacts.

**5. Multiplier Benefits:** Opportunities should be sought for using a multiplier effect, such as revolving loan funds, or matching funds.

**6. Upstream Leverage:** Upstream intervention can lead to widespread changes and benefits, such as funding public planning for greenhouse gas reductions, assisting research and development, or inducing manufacturing and commercial development of green products that improve quality, reduce cost, or overcome supply bottlenecks.

**7. Accountability:** measures should require communities and public agencies to agree to repay funds in proportion to shortfalls in meeting carbon reduction targets.

**8. Transparency:** Performance metrics should be posted on the internet and provide avenues for public involvement in efforts to reduce greenhouse gases.

**9. Administrative Costs:** Ensure adequate support for administering the carbon reduction programs.

Insofar as EAAC may be seized with the issue of carbon offsets, Sierra Club recommends that EAAC draw from AB 1404, currently on the Governor's desk for signature. The bill contains what we believe are excellent policy directives for limiting, narrowing and controlling the use of offsets.

In respect to EAAC's work on economic impacts, Sierra Club believes that a prime concern is retaining credibility. The public must be convinced of the reliability and plausibility of the research on which CARB's and

EAAC's conclusions and recommendations may depend. Practitioners of the dismal science -- economists and econometricians -- these days rank below used-car salesmen for failing to foresee the housing bust, derivatives collapse, recession and regulatory failures. So Sierra Club urges EAAC to make sure that its economic analyses fairly account for all the benefits of GHG reductions and do not overestimate costs. Economic "impact" studies too often seem to the public like a myopic CPA looking at a business's books and seeing only the losses and not the profits. We'd like to see included estimates of externalities -- the benefits, direct and indirect -- of the transition to a low- or zero-carbon economy and the costs -- direct and indirect -- of inaction or half-measures. Health costs of continued carbon and other pollution and the benefits of CO2 reduction for co-pollutants, for example, are obvious candidates for inclusion on EAAC's balance sheets. Sierra Club agrees with other major environmental organizations that an EAAC public statement on economic modeling would be helpful for public debate to counter critics of the AB 32 process.